



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
ACTING AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
MARIA M. OMS

October 7, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *for*
Acting Auditor-Controller

SUBJECT: **COMMUNITY FAMILY GUIDANCE CENTER CONTRACT REVIEW – A
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of Community Family Guidance Center (CFGF or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with CFGF, a private non-profit community-based organization that provides services to clients in Service Planning Area 7. Services include interviewing program clients, assessing their mental health needs, and developing and implementing a treatment plan. The Agency's headquarters is located in the Fourth District.

Our review focused on approved Medi-Cal billings. DMH paid CFGF a provisional rate between \$1.53 and \$2.12 per minute of staff time (\$91.80 to \$127.20 per hour) for services. CFGF is reimbursed for their actual costs reported at year-end. CFGF's contract was for approximately \$4.7 million for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether CFGF complied with its contract terms and appropriately accounted for and spent DMH funds providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's

accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

Results of Review

CFGC maintained documentation to support the billed service minutes and used qualified staff to provide program services. In addition, the Agency completed Progress Notes in compliance with the County contract. However, the Agency needs to repay or provide documentation to support \$26,211 in unsupported and unallowable expenditures. Specifically, the Agency:

- Could not identify the \$24,846 in fixed assets charged to the DMH program.
- Used DMH funds totaling \$1,365 (\$1,244 + \$121) to pay for undocumented and unallowable expenditures.

In addition, the Agency did not always comply with contract requirements. Specifically, the Agency did not:

- Have a written Cost Allocation Plan.
- Document observable and/or quantifiable goals in four (16%) of 25 clients Client Care Plans sampled.

We have attached the details of our review along with recommendations for corrective actions.

Review of Report

We discussed the results of our review with CFGC on June 24, 2008. In their attached response, the Agency indicates general agreement with the findings and describes the corrective actions they will take to address the recommendations in our report.

We thank CFGC management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Richard Murase, Executive Director, Community Family Guidance Center.
Public Information Office
Audit Committee

**CONTRACT COMPLIANCE REVIEW
COMMUNITY FAMILY GUIDANCE CENTER
FISCAL YEAR 2007-08**

BILLED SERVICES

Objective

Determine whether Community Family Guidance Center (CFGC) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 45 billings totaling 3,985 minutes from 206,034 service minutes of approved Medi-Cal billings from September and October 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 3,985 minutes represent services provided to 25 program participants.

Results

CFGC maintained documentation to support the billed service minutes. In addition, the Agency completed Progress Notes in compliance with the County contract. However, the Agency did not always complete Assessments and Client Care Plans in accordance with the County contract.

Assessments and Client Care Plans

CFGC did not complete Assessments in accordance with the County contract for two (8%) of 25 clients sampled. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. Specifically, the Assessments did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients.

In addition, CFGC did not complete the Client Care Plans in accordance with the County contract for four (16%) of 25 clients sampled. The Client Care Plan establishes goals and interventions to address the mental health issues identified in the client's Assessment. Specifically, the Client Care Plans did not contain observable and/or quantifiable goals.

Recommendation

- 1. CFGC management ensure that Assessments and Client Care Plans are completed in accordance with the County contract.**

STAFFING LEVELS**Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section as the Agency does not provide services that require compliance with staffing ratios.

STAFFING QUALIFICATIONS**Objective**

Determine whether CFGC's treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 21 of the 56 CFGC treatment staff who provided services to DMH clients during September and October 2007.

Results

Each employee in our sample possessed the qualifications required to deliver the services billed.

Recommendation

There are no recommendations for this section.

SERVICE LEVELS**Objective**

Determine whether CFGC's reported service levels varied significantly from the service levels identified in the DMH contract.

We did not perform test work in this area as DMH's contract with CFGC did not specify the required service levels for each type of service provided for FY 2006-07.

CASH / REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed CFGC's management and reviewed the Agency's financial records. We also reviewed the Agency's bank reconciliations for October 2007 for one bank account.

Results

CFGC properly recorded and deposited cash receipts timely. In addition, the Agency prepared their bank reconciliation accurately.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN**Objective**

Determine whether CFGC's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management and reviewed their financial records.

Results

CFGC did not have a written Cost Allocation Plan and did not have an accounting system that separated expenditures by program. In addition, the worksheets provided by the Agency to support the amounts categorized as indirect expenditures were based on estimates not actual costs as required. The Agency also allocated 99% of their total non-payroll expenditures to DMH, but could not explain their basis for the allocation. As a result, CFGC needs to re-allocate indirect costs to DMH for FY 2006-07 and repay DMH for any over billed amounts.

Recommendations**CFGF management:**

2. Develop and implement a detailed and equitable Cost Allocation Plan.
3. Re-allocate indirect costs to DMH for FY 2006-07 and repay DMH for any over billed amounts.
4. Establish cost centers to track DMH expenditures.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately charged to the DMH program.

Verification

We reviewed financial records and documentation to support 14 non-payroll expenditure transactions charged to the DMH program between July and December 2007, totaling \$35,801.

Results

The Agency used DMH funds totaling \$1,244 to pay for undocumented and unallowable expenditures. Specifically, the Agency:

- Could not provide a receipt or invoice to support one expenditure for \$358.
- Used DMH funds totaling \$886 for an employee luncheon, which is unallowable.

Recommendations**CFGF management:**

5. Ensure the County is not billed the \$1,244 for the undocumented and unallowable expenditures in FY 2007-08.
6. Ensure that program expenditures are supported by adequate documentation.
7. Ensure that only allowable program expenditures are charged to the DMH program.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether fixed assets and equipment charged to DMH were used by the DMH program and were adequately safeguarded.

Verification

We interviewed staff and reviewed the Agency's depreciation schedule.

Results

The Agency could not identify the assets associated with the \$24,846 in depreciation charged to the DMH program. The Agency also did not maintain a listing of fixed assets and equipment, as required. A proper listing would include the assigned individual, an item description, serial number or unique identifier, acquisition cost, sources of funding and the program(s) where the asset is used. In addition, the Agency did not perform annual inventory counts.

Recommendations

CFGC management:

8. Identify the assets included in the depreciation costs for FY 2006-07 or repay DMH \$24,846.
9. Ensure that all fixed assets and equipment items charged to the DMH program are included on a fixed assets and equipment listing that includes the assigned individual, an item description, serial number or unique identifier, acquisition cost, source of funding and the program(s) where the asset is used.
10. Perform annual inventory counts.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files are maintained as required.

Verification:

We traced the payroll expenditures for 10 employees totaling \$17,353 to the payroll records and time reports for the pay period ending October 31, 2007. We also interviewed the employees and reviewed their personnel files.

Results

The Agency did not maintain sufficient documentation to support the payroll expenditures billed to DMH. Specifically:

- The Agency did not maintain time reports to support five of the ten payroll expenditures sampled. Agency management explained that they did not require time reports from their salaried employees. The County contract requires time reports to support salary expenditures billed to DMH.
- The Agency charged the DMH program for one employee's salary who worked on DMH and non-DMH programs. In addition, the employee's time report did not identify the actual hours worked on each program. We review the staff roster and noted that four additional direct program staff were assigned to multiple programs and the Agency charged their entire salary to DMH.
- For one (20%) of five employees sampled the hours paid exceeded the hours on an employee's timecard by 8.25 hours for one (10%) of ten employees' sampled. The undocumented payroll expenditure totaled \$121.
- Employees' timecards did not always include a supervisor's signature.

Recommendations**CFGC management:**

11. **Ensure that salary expenditures are supported by time reports that reflect the actual hours worked on each program.**
12. **Repay DMH \$121 for the undocumented salary expenditure identified in our report.**
13. **Ensure timecards are reviewed and approved by a supervisor.**

COST REPORT**Objective**

Determine whether CFGC's FY 2006-07 Cost Report reconciled to the Agency's financial records.

Verification

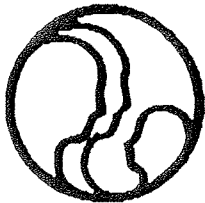
We traced the Agency's FY 2006-07 Cost Report to the Agency's general ledger.

Results

The Agency's total expenditures listed on their Cost Report reconciled to the Agency's accounting records. However, as stated above in the Cost Allocation Plan section, the Agency did not have an accounting system that separated expenditures by program and the expenditures were based on estimates not actual costs as required.

Recommendation

See recommendations 3 and 4.



COMMUNITY FAMILY GUIDANCE CENTER

A Non-Profit Mental Health Agency Serving the Communities of
ARTESIA, BELLFLOWER, CERRITOS, DOWNEY, HAWAIIAN GARDENS,
LAKEWOOD, NORWALK, AND PARAMOUNT

PRESIDENT

Vincent Torres

PRESIDENT ELECT

George Ray

SECRETARY

Zaher Ahmed

EXECUTIVE DIRECTOR

Richard Murave

BOARD OF DIRECTORS

Roberta Brown

Tammy Cannon

Victoria Caranas

Mary Crawford

Joy Darling

Louise Dodson

Amy Dominguez

Vera Eckles

Jim Edwards

Roger Garrett

Larry Good

Willie Gutierrez

Pam Hickok

Harvey Hoyu

Robert Hughlett

José Iglesias

Ellen Laina

Paulynne Liang

James Parker

Barry Rabbitt

Ivana Royce

Connie Turner

Aelae Woolsey

August 1, 2008

SENT VIA FACSIMILE TRANSMISSION AUGUST 1, 2008

Ms. Wendy L. Watanabe, Acting Auditor-Controller
Department of Auditor-Controller
County of Los Angeles
1000 S. Fremont Avenue
Unit 51 – Bldg A9 East
Alhambra, CA 91803-4737

Re: Response to Auditor-Controller Contract Review
Fiscal Year 2006/2007
Community Family Guidance Center

AUXILIARY

Joan Biegel

Joanna Blako

Olympia Chen

Phyllis Clark

Don Cole

John Crowley

George Dominguez

Patricia Eldredge

Shirley Elliott

Bob Eppler

John Foley

Billie Frierson

Elizabeth Gadboul

Vivian Hansen

Connie Hinger

Marianna Hughlett

Melinda Kinsey

Charles Lee

Shella Levy-Craves

Becky Lingad

Kathleen Lovell

Diane Martinez

John Maimeri

Marilou Mirkovich

John Moore

Gracia Napolitano

Dixie Primosch

Marcia Raphael

Gerald Roodman

Jacqueline Shahzadi

Gordon Sigfushagen

Erin Subal

Mary Villegas

Michaelene Wagner

Dear Ms. Watanabe:

The purpose of this letter is to respond to the Contract Review for fiscal year 2006/2007, with a corrective action plan for findings made in the auditor-controller's final report.

BILLED SERVICES

Issue

Assessments and Client Care Plans were not always completed in accordance with the County contract. Specifically, the assessments did not always adequately describe the symptoms and behaviors needed to support the diagnosis.

Response:

1. CFGC has recently implemented its EDI Electronic Billing System. Built into the system is the requirement that clinical supervisors read and review all chart documentation for approval prior to billing or finalization of each document. Supervisors will be instructed to carefully review assessments for documentation supporting the diagnosis prior to approval.

2. Individual supervisor time will be used for coaching those therapists in need of additional training in clinical diagnosis.
3. The Center's internal Quality Review process will continue to be implemented. Additional emphasis will be placed during the review on the inclusion of supporting diagnostic documentation.

Issue

Assessments and Client Care Plans were not always completed in accordance with the County contract. Specifically, Client Care Plans did not contain observable and/or quantifiable goals.

Response:

1. CFGC has recently implemented its EDI Electronic Billing System. Built into the system is the requirement that clinical supervisors read and review all chart documentation for approval prior to billing or finalization of each document. Supervisors will be instructed to carefully review assessments for documentation supporting the diagnosis prior to approval.
2. Individual supervisor time will be used for coaching those therapists in need of additional training in clinical diagnosis.
3. The Center's internal Quality Review process will continue to be implemented. Additional emphasis will be placed during the review on the inclusion of supporting diagnostic documentation.

COST ALLOCATION PLAN

Issue

Agency did not have a written Cost Allocation Plan and did not have an accounting system that separated expenditures for different programs. In addition, the worksheets provided by the Agency to support their allocation of expenditures were based on estimates not actual costs as required. The Agency also allocated 100% of their estimated indirect expenditures to DMH.

Agency management also explained that they review the general ledger at the end of the year to identify and subtract non-DMH program and other unallowable expenditures. This process is tedious and increases the likelihood that the Agency would inadvertently bill DMH for non-DMH expenditures.

Response:

1. CFGC did not have a written procedure for cost allocation in place for 2006/2007, and accumulated all cost in the general ledger system. Subsequent to the close of the fiscal year, an allocation of direct and indirect expenses was completed based on historical information and estimates based on direct payroll expenses. The rationale used by the agency created inaccuracies in the allocation between direct and indirect expenses -

allowable and unallowable expenses, which resulted in a 99% net allocation of indirect expenses to DMH.

2. CFGC will implement a formal plan of cost allocation beginning with fiscal year 2008/2009, and will install a cost reporting module to be integrated within the accounting software in order to capture costs by determined cost centers. Additionally, CFGC will review and set-up sub ledger codes in order to allocate costs within the general ledger for fiscal year 2007/2008, in recognition of the A/C's finding that reviewing the entire general ledger at year-end for non-DMH expenditures is tedious and increases the likelihood of error. This will be accomplished by August 15, 2008, and prior to completion of the cost report for 2007/2008.
3. CFGC will review and re-allocate indirect costs to DMH for 2006/2007 and repay DMH for any overbilled amounts. This is not anticipated to be a significant dollar amount. Completion date – August 15, 2008.

EXPENDITURES

Issue

Agency used DMH funds totaling \$1,244 to pay for undocumented and unallowable expenditures. Specifically – Agency could not provide a receipt or invoice to support an expenditure for \$358, and the Agency used DMH funds totaling \$886, for an employee luncheon – an unallowable expense.

Response:

1. CFGC acknowledges that a charge for an annual employee recognition luncheon was incorrectly charged to DMH in the amount of \$886.
2. CFGC acknowledges that charges in the amount of \$358.00, for gas/oil/auto expenses incurred by executive director Richard Murase for the use of his personal vehicle for company business, were missing the appropriate receipts. The agency has subsequently implemented a policy for reimbursing the executive director for the use of his private vehicle, which includes a monthly request for reimbursement and will include date, reason for travel, miles driven and extension of cost. Although this charge(s) is missing appropriate back-up, CFGC does not consider this expense as being "unallowable" in the true sense of the word; but rather a procedural oversight which could have been remedied if a receipt had been attached. The actual reimbursement was not being questioned, just a missing piece of paper.
3. CFGC will ensure that all expenditures for 2007/2008 and for all future years are supported by adequate documentation and that only DMH "allowable" costs are charged to DMH. This process is effective immediately.

FIXED ASSETS AND EQUIPMENT

Issue

The Agency could not identify the assets associated with the \$24,846 in depreciation charged to the DMH program. The Agency also did not maintain a listing of fixed assets and equipment, as required. A proper listing would include the assigned individual, an item description, serial number or unique identifier, acquisition cost, sources of funding and the program(s) where the asset is used. In addition, the Agency did not perform annual inventory counts.

Response:

1. Agency will complete an inventory of capitalized assets put into service during fiscal year 2006/2007, and 2007/2008, and will supply documentation to DMH justifying the \$24,846 of depreciation expense by August 15, 2008.
2. CFGC will perform annual inventories as close to year-end as reasonable, with the exception of 2008; the full documentation and identification of assets for fiscal 2007/2008 will be completed by August 15, 2008.
3. CFGC will ensure that all capitalized assets are identified by serial code and logged by site location and user, and a % utilization record will be maintained by asset and user. Process will be ongoing after implementation date of August 15, 2008.

Issue

The Agency did not maintain sufficient documentation to support the payroll expenditures billed to DMH. Specifically: Agency did not maintain time reports to support five of the ten expenditures sampled. Management explained that they do not require time reports from salaried employees.

Agency charged the DMH program for one employee's salary who worked on DMH and non-DMH programs. The employee's time report did not identify the actual hours worked on each program.

Hours paid exceeded the hours on an employee's timecard by 8.25 hours for one of the employees sampled. The undocumented payroll expenditure totaled \$121.

The Agency also needs to strengthen internal controls over payroll expenditures. Specifically, employee timecards did not always include a supervisor's signature.

Response:

1. Effective immediately, CFGC will be more diligent to ensure that all timecards are calculated correctly and signed by supervisor. Concurrent with the beginning of fiscal 2008/2009, CFGC will be implementing its cost reporting process within its current accounting system, which will capture all non-exempt and exempt wages for allocation to non-DMH and DMH programs, without creating labor law issues and possibly

jeopardizing exempt payroll status. Payroll for fiscal 2007/2008 will be reviewed and allocated to sub-ledgers as previously discussed in the cost allocation section by July 31st, optimally.

2. CFGC does not challenge the \$121.00 of undocumented payroll expense.

Community Family Guidance Center thanks the Auditor-Controller's Office for the opportunity to respond to this Contract Compliance Review.

Very truly yours,



Richard D. Murase, LCSW
Executive Director

Copy to:

Ms. Ana Suarez, LCSW
District Chief, Service Area 7
County of Los Angeles
Department of Mental Health
550 South Vermont Avenue, 10th Floor
Los Angeles, CA 90020

Sent via Facsimile Transmission July 18, 2008